

Department of Social and Health Services

DP Code/Title: M2-TM Admatch Funding

Program Level - 080 Medical Assistance

Budget Period: 2003-05 Version: H2 080 2003-05 2004 Sup-Agency Req

Recommendation Summary Text:

This decision package includes a request to pay a disallowance related to inappropriate claiming of expenditures associated with the school-based Outreach and Linkage (Ad Match) program, which was audited by the federal Office of the Inspector General (OIG) in 2002.

In addition, appropriation authority is requested to allow expenditure of revenues collected by the Medical Assistance Administration (MAA) from participating schools to pay for MAA support of the Ad Match program. Statewide result number 5.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	3,900,000	0	3,900,000
001-7 General Fund - Basic Account-Private/Local	1,000,000	1,000,000	2,000,000
Total Cost	4,900,000	1,000,000	5,900,000

Staffing

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
Agency FTEs	6.0	6.0	6.0

Package Description:

The federal Medicaid Agency provides 50 percent federal match to reimburse non-federal funds used by school districts for outreach and referral, coordination and follow-up services to Medicaid eligible students, and their families, enrolled in K-12 schools throughout the state (known as the Ad Match program in Washington State). Over 200 of the 296 School Districts have sub-recipient contracts with MAA for these services.

In 2003, the OIG conducted an audit of the Ad Match program for the years 2000 and 2001. Several recommendations were made in the audit, including increasing the monitoring and administrative control over the program. Additionally, the federal Centers for Medicare and Medicaid Services (CMS) issued a new guide for claiming under Ad Match programs. The new guide reinforces the need for state Medicaid programs to exert significant control over Ad Match programs, including training, rule development, monitoring and auditing. In order for Washington State to comply with the guide and satisfy audit recommendations, funding is needed for the program support and infrastructure. MAA is collecting a small percentage of Ad Match funds provided to the schools (3 percent) for this funding requirement. Funds provided through the 3 percent collection must be appropriated in order to spend the revenue.

In the audit, the OIG recommended a disallowance by CMS for charges claimed in violation of federal rules. Primarily, the disallowance relates to the use of an indirect (overhead) rate in excess of the rate agreed to between school districts and their cognizant agency, the Superintendent of Public Instruction (SPI). There have been discussions between MAA and SPI regarding the disallowance and possible sharing of the cost but as yet, no agreement has been reached. DSHS is requesting \$3.9 million GF-S for a portion of the disallowance. The disallowance must be paid by a certain time to avoid CMS-imposed penalties and DSHS is the agency responsible for management of the program.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Not Applicable

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Performance Measure Detail

Program: 080

Goal: 10H Assure access to high quality health care

Incremental Changes

FY 1

FY 2

No measures submitted for package

Reason for change:

MAA is working to improve accountability for this program as a result of a federal audit, which resulted in a finding of \$6.3 million in federal over-payments to districts for the two-year period of 2000-01. Funding is required to avoid reductions in other programs to make up for the disallowance.

MAA has developed a new, more specific sub-recipient contract to be implemented December 1, 2003 and will incorporate in the contract, a new manual based on the CMS guide. MAA will contract for or directly provide regular on-site monitoring of school district operations beginning in January or February 2004. If it is necessary to directly provide the monitoring activities, up to 6.0 additional FTEs may be needed each year, and would be funded by the 3 percent administrative fee.

Impact on clients and services:

Students will receive documented and effective outreach and linkage services.

Impact on other state programs:

None

Relationship to capital budget:

Not applicable

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

DSHS has examined the effects of not appropriately monitoring the Ad Match program. It is likely that the program would be eliminated if proper monitoring is not put into effect, resulting in a loss of revenue to the schools totaling approximately \$35 million per year.

Two alternatives can be considered for funding the disallowance. If the disallowance is made up through the existing budget, MAA will be forced to make reductions in other program areas, affecting the provision of Medicaid services. If the school districts repay the funds to DSHS for the disallowance, funding must be reduced in educational programs, affecting children throughout the state.

Budget impacts in future biennia:

None

Distinction between one-time and ongoing costs:

No State funds involved in the administrative portion of this item. The disallowance is a one-time charge.

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Effects of non-funding:

If funding to monitor the Ad Match program is not provided, it is likely that the program will need to be eliminated. This would result in a significant loss of funding for school districts around the state. Non-funding of the disallowance will force reductions in MAA or in the schools.

Expenditure Calculations and Assumptions:

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
A Salaries And Wages	500,000	500,000	1,000,000
B Employee Benefits	260,000	260,000	520,000
E Goods And Services	238,000	238,000	476,000
G Travel	2,000	2,000	4,000
N Grants, Benefits & Client Services	3,900,000	0	3,900,000
Total Objects	4,900,000	1,000,000	5,900,000

DSHS Source Code Detail

Overall Funding	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State			
<u>Sources</u> <u>Title</u>			
0011 General Fund State	3,900,000	0	3,900,000
Total for Fund 001-1	3,900,000	0	3,900,000
Fund 001-7, General Fund - Basic Account-Private/Local			
<u>Sources</u> <u>Title</u>			
5417 Contributions & Grants	1,000,000	1,000,000	2,000,000
Total for Fund 001-7	1,000,000	1,000,000	2,000,000
Total Overall Funding	4,900,000	1,000,000	5,900,000